

It's Another Month of Negative Multifamily Rent Growth

While the dip is a bit sharper and more prolonged than usual, the drops are in line with seasonal variance.

By Erik Sherman

Another month for multifamily, another drop in rental rates, according to Apartment List's newest rent report, which looks back at what happened in January.

"The rental market kicked off the new year with a sixth straight month of negative rent growth, as the nationwide median rent fell by 0.3 percent to \$1,373.1 The recent declines are in line with the rental market's typical seasonal pattern, as fewer renters are looking to move in the fall and winter, although this year's dip has been a bit sharper and more prolonged than what we normally see."

This may seem in contrast with data from recent inflation reports from the government, where shelter remains a leading cause of CPI growth. However, shelter drags significantly behind other price activities, providing a rear-view-mirror view.

An important consideration is the cyclical nature of rent changes. Increases generally happen in spring and summer. Fall and winter usually see "a modest price dip" because fewer people are looking for apartments. (In many parts of the country, people don't tend to like moving in the colder months which can come with precipitation that slows the process.)

"January's dip was relatively modest compared to the declines we've been seeing in recent months, indicating that we're approaching the end of the market's slow season," the report said. The size of the drop "has been a bit more pronounced."

Median rent is down by 3.5% since the peak during the summer of 2023. "The only period that brought a sharper decline was from September 2022 to January 2023, when rents fell by 3.7 percent as the market shifted into the period of sluggishness that still persists," they said. In the three-year period before the pandemic, average winter rent decline was 1.8%.

The good news for owners and operators is that year-over-year drops in rent have bottomed out. However, that still leaves them at 1% under last year, making apartments slightly cheaper than they were. That may not ultimately be so bad for those that had been running a multifamily property for enough time. National median rent remains more than \$200 over what it was three years ago.

Those who bought at the top of the market might not be well off as the high valuations then depended on low financing costs and ongoing expectations of significant rent increases "when rent prices were surging and year-over-year growth peaked at 18 percent nationally," as Apartment List put it.